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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Lexus Financial Group
Economic Specialties, Inc.
Robert Eberle
Barbara Eberle
Michael Lange
40 Constitution Drive, Suite D
Redding, CA 95973

DESIST AND REFRAIN ORDER
(For violations of sections 25110 and 25210, 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

1. At all relevant times, Robert Eberle was a principal, partner, owner, or control person of Lexus Financial Group and Economic Specialties, Inc, operating in California.
2. At all relevant times, Barbara Eberle was a principal, partner, owner, or control person of Lexus Financial Group and Economic Specialties, Inc., operating in California.
3. At all relevant times, Michael Lange was a principal, partner, owner, or control person of Lexus Financial Group and Economic Specialties, Inc.
4. At all relevant times, Lexus Financial Group, a company, form unknown, was conducting business activities in California.
5. At all relevant times, Economic Specialties, Inc. a Nevada company, form unknown, was conducting business activities in California and was doing business under the fictitious name of Lexus Financial Group.

1 6. Beginning no more than four years ago, Lexus Financial Group, Economic
2 Specialties, Inc., Robert Eberle, Barbara Eberle and Michael Lange offered or sold
3 securities in the form of viaticals, otherwise defined as “viatical settlement contract or
4 fractionalized or pooled interest therein; life settlement contract or a fractionalized or pooled
5 interest therein,” to California residents.

6 7. Lexus Financial Group, Economic Specialties, Inc., Robert Eberle, Barbara
7 Eberle and Michael Lange solicited potential investors through general advertisements,
8 direct mailings and through contacts developed in conjunction with insurance or other
9 business interests. Lexus Financial Group, Economic Specialties, Inc., Robert Eberle,
10 Barbara Eberle and Michael Lange promised investors guaranteed returns anywhere from
11 15% to 150% for investments ranging from 1 to 4 year terms. Several investors were
12 promised returns up to or even exceeding 100%.

13 8. The Department of Corporations has not issued a permit or other form of
14 qualification authorizing Lexus Financial Group, Economic Specialties, Inc., Robert Eberle,
15 Barbara Eberle and Michael Lange to offer or sell the viatical investments in this state. The
16 viatical investments offered and sold by Lexus Financial Group, Economic Specialties, Inc.,
17 Robert Eberle, Barbara Eberle and Michael Lange are not exempt from the qualification
18 requirement under Section 25110 of the California Corporate Securities Law of 1968.

19 9. The viatical investments offered and sold by Lexus Financial Group, Economic
20 Specialties, Inc., Robert Eberle, Barbara Eberle and Michael Lange fail to meet the
21 exemption from qualification of securities under Corporations Code §25102(q), without
22 limitation, as follows:

23 a. Failure to comply with §25102(q)(1) in that investors were not qualified
24 purchasers and did not meet the provisions of that section;

25 b. Failure to comply with §25102(q)(3) by failing to provide the required
26 disclosures and other information;

27 10. In addition, Lexus Financial Group, Economic Specialties, Inc., Robert Eberle,
28 Barbara Eberle and Michael Lange made material misrepresentations or omissions of

1 material facts in conjunction with the offer and sale of viatical investments, including, but not
2 limited to, the following:

3 a. That the investment was backed by a “guarantee bond” and not
4 disclosing any details about the bonding company;

5 b. That the bond company will repurchase the viatical “within 4 months of
6 the original life expectancy” when, in fact, the bond company is not bound to repurchase the
7 viatical for at least 54 months from the purchase by the investor.

8 c. Failing to clearly disclose that the investment will potentially be illiquid
9 far longer than the designated period, thereby reducing the potential rate of return;

10 d. Failing to disclose that the viatical investment was a security under
11 California law;

12 e. Failing to disclose that the issuers were required to be licensed broker-
13 dealers, but were not;

14 f. Failing to disclose that the sales agents were required to hold a valid
15 securities sales license issued by the National Association of Securities Dealers, but did not;

16 11. None of the above parties, Lexus Financial Group, Economic Specialties, Inc.,
17 Robert Eberle, Barbara Eberle and Michael Lange, have obtained a certificate as a broker-
18 dealer from the California Corporations Commissioner or have qualified as an agent by the
19 Commissioner to offer or sell securities in this state.

20 12. Based upon the foregoing findings, the California Corporations Commissioner
21 is of the opinion that the viatical investment offered and/or sold by Lexus Financial Group,
22 Economic Specialties, Inc., Robert Eberle, Barbara Eberle and Michael Lange is a security
23 subject to qualification under the California Corporate Securities Law of 1968 and is being
24 or has been offered or sold without being qualified in violation of Corporations Code
25 §25110.

26 13. The California Corporations Commissioner is of the further opinion that the
27 securities offered and/or sold by Lexus Financial Group, Economic Specialties, Inc., Robert
28 Eberle, Barbara Eberle and Michael Lange were offered and/or sold based upon material

1 misrepresentations or omissions of material facts in violation of Corporations Code §25401.

2 14. Pursuant to Section 25532 of the Corporate Securities Law of 1968, Lexus
3 Financial Group, Economic Specialties, Inc., Robert Eberle, Barbara Eberle and Michael
4 Lange are hereby ordered to **desist and refrain** from the further offer or sale in the State of
5 California of securities in the form of viatical investments, unless and until qualification has
6 been made under said law or unless exempt.

7 15. Absent qualification or exemption in the offer or sale of securities, Lexus
8 Financial Group, Economic Specialties, Inc., Robert Eberle, Barbara Eberle and Michael
9 Lange have also effected transactions in securities as broker-dealers without first having
10 applied for and secured from the Commissioner a certificate, then in effect, authorizing
11 these persons to act in that capacity, in violation of §25210 of the Corporate Securities Law
12 of 1968.

13 16. Pursuant to Section 25532 of the Corporate Securities Law of 1968, Lexus
14 Financial Group, Economic Specialties, Inc., Robert Eberle, Barbara Eberle and Michael
15 Lange are hereby ordered to **desist and refrain** from effecting any transaction in, or
16 inducing or attempting to induce the purchase or sale of any security in this state, unless
17 and until they have applied for and secured from the Commissioner a certificate, then in
18 effect, authorizing these persons to act in that capacity.

19 This Order is necessary, in the public interest, for the protection of investors and
20 consistent with the purposes, policies, and provisions of the Corporate Securities Law of
21 1968.

22 Dated: February 24, 2003

23 Sacramento, California

24 DEMETRIOS A. BOUTRIS
25 California Corporations Commissioner

26
27 By _____
28 VIRGINIA JO DUNLAP
Acting Assistant Commissioner
Enforcement and Legal Services